

## Message Text

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14

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

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R 071646Z SEP 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WAHDC 5431

UNCLAS SANTIAGO 4032

E.O.11652:N/A

TAGS: EIND CI

SUBJ: GOC AUTHORIZED PRICE INCREASES FOR COMPANIA  
MANUFACTURERA DE PAPELES Y CARTONES S.A.(CMPC)

1. GOC HAS AUTHORIZED PRICE INCREASES AVERAGING 118 PERCENT FOR PAPELERA'S PRODUCTS. DECREE SENT TO CONTROLLER FOR APPROVAL AND WILL BECOME EFFECTIVE WITH PUBLICATION IN "DIARIO OFICIAL".

2. PRICE INCREASES GRANTED AFTER LONG MONTHS OF DISCUSSIONS BETWEEN COMPANY AND MINISTRY OF ECONOMY. COMPANY HAD REQUESTED MINIMUM INCREASE OF 324 PERCENT TO COMPENSATE FOR ESCALATING COSTS AND HAD SUBMITTED STUDIES SUPPORTING REQUEST. GOC PRICE-CONTROL AGENCY, DIRINCO, ARGUED THAT STUDIES DID NOT JUSTIFY COMPANY'S REQUEST AND THAT 118 PERCENT AUTHORIZED WILL BE SUFFICIENT TO COVER INCREASED COSTS. INDEPENDENT "TERCERA DE LA HORA" POINTS OUT, HOWEVER, THAT COST STUDIES WERE REVIEWED BY "INSTITUTO DE COSTOS" HEADED BY COMMUNIST LUIS MAYORGA.

3. ACCORDING TO PRESS, PAPELERA GEN. MGR. ERNESTO AYALA AND ASST GEN. MAGR. VICTOR GRANIFO, DESCRIBED INCREASE AS TOTALLY INSUFFICIENT AND SAID THAT ALL LEGAL MEASURES WILL BE TAKEN TO SECURE REQUESTED INCREASES. GRANIFO SAID COMPANY PRESENTLY LOSING E0.600 MILLION MONTHLY AND THAT

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118 PERCENT INCREASE WILL REDUCE LOSS TO SOMETHING IN EXCESS

OF \$200 MILLION MONTHLY. HE SAID COMPANY HAS LOST 40 PERCENT OF ITS CAPITAL AND RESERVES DURING ALLENDE GOVERNMENT: AND THAT, WITH GIVEN INCREASES WOULD LOSE AN ADDITIONAL 10 PERCENT BY JUNE 1974, THUS TECHNICALLY FORCING FIRM INTO BANKRUPTCY.

4. DECREE AUTHORIZING PRICE INCREASES WILL REPORTEDLY CONTAIN, FOR THE FIRST TIME, MINIMUM PRODUCTION QUOTAS FOR COMPANY'S PRODUCTS. COMMUNIST "EL SIGLO" CLAIMS THAT PAPELERA HAS INCREASED PRODUCTION OF PRODUCTS HAVING GREATER COMMERCIAL VALUE AND REDUCED PRODUCTION OF THOSE OF LOWER COMMERCIAL VALUE; E.G. TOILET PAPER WHICH IS STRICTLY PRICE-CONTROLLED. "EL SIGLO" ADDS THAT FAILURE TO MEET PRODUCTION STANDARDS WILL RESULT IN DRASTIC LEGAL MEASURES, INCLUDING REQUISITION OF COMPANY.

5. COMPANY'S BALANCE SHEET COVERING YEAR ENDING JUNE 1973 TO BE PUBLISHED SHORTLY AND EMBASSY WILL FORWARD COPIES ASAP. THOMPSON

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## Message Attributes

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